FISCAL MEMORANDUM

HB 3421 – SB 3518

April 14, 2010

SUMMARY OF AMENDMENTS (014922, 015533, 017033): Amendment 014922 deletes requirement that the social security number be omitted from unemployment insurance checks and check stubs or other documents. Requires the full nine digit social security number not be included. Authorizes the use of the redacted last four digits of the social security number. Amendment 015533 decreases from five months to ninety days the period of time to re-issue canceled checks. Amendment 017033 deletes the effective date of the original bill. Adds July 1, 2011 as the effective date of the bill.

FISCAL IMPACT OF ORIGINAL BILL:

    Increase Federal Expenditures - $601,200/One-Time/
                                Unemployment Insurance Trust Fund (UI Fund)
    Decrease Federal Expenditures – Net Impact - $2,972,400/Recurring/UI Fund

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

    Increase Federal Expenditures –
        $601,200/FY10-11/Unemployment Insurance Trust Fund (UI Fund)

    Decrease Federal Expenditures –
        Net Impact - $2,939,900/FY11-12 and Subsequent Years/UI Fund

    Assumptions applied to amendments:

- According to the Department of Labor and Workforce Development, there would be an increase in incorrect benefit payments as a result of checks alleged to be stolen or forged. Approximately 80 checks per month are reported as stolen or forged; in approximately 15 percent of these cases, the claimant actually did receive and cash the check. It takes longer than 90 days to determine if a check has been forged or stolen.
- Approximately 144 checks (80 checks x 12 months x 15%) will be issued before it can be determined that the check has been stolen or forged.
- The average weekly benefit amount is $226 resulting in an increase to recurring expenditures of $32,500 to the UI Trust Fund (144 x $226).
- According to the Department of Labor and Workforce Development, modifications to existing programs will be required to remove social security numbers from checks and
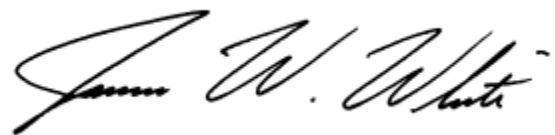
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check stubs. There will be additional modifications to existing programs and the creation of new online and other computer programs needed to meet the requirements of this bill as amended. There will be an increase in one-time federal expenditures in FY10-11 of approximately $601,200 in Information Technology costs as follows: Modifications to 30 existing online programs totaling $99,532. Create three new online programs totaling $11,529. Modifications to 125 existing batch programs totaling $422,315. Create 15 new batch programs totaling $62,622. Two server modifications totaling $5,168. The average programming cost is $3,435 per modification/creation ($601,200 / 175).

- According to the Department, the cost to mail one check is $0.488; the average number of checks mailed per week is approximately 150,000. The total annual cost of issuing checks is approximately $3,806,400 ($0.488 x 150,000 x 52 weeks).

- Approximately 80 percent of claimants are estimated to request direct deposit. This would decrease recurring federal expenditures by approximately $3,045,100 beginning in FY11-12 ($3,806,400 x 80%).

- Currently returned checks are scanned through a computer which reads social security numbers on check stubs and automatically cancels the check. The removal of social security numbers will require check canceling to be done manually. This will require two additional Benefit Aids 2 positions at recurring cost of $36,350 per position ($22,400 salary + $7,600 benefits + $6,350 computer, phone, office space, and supplies), for a total increase in recurring federal expenditures of $72,700 beginning in FY11-12 ($36,350 x 2 positions).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

/jaw